
MEMORANDUM



DATE: February 18, 2009
TO: House Tax Policy Committee
FROM: Mitchell Bean *MB*
RE: Last Week's Testimony

When answering questions after my presentation to the Committee last week I made two errors that I would like to correct. When asked about the fiscal impact of the streamline sales tax compact that Michigan entered into, I said that I recalled that the net impact was small -- about \$15 to \$20 million. The order of magnitude was correct, but the fiscal impact was a revenue loss, not a gain.

It's important to note that one of the reasons that Michigan and other states entered into the compact was to counter criticisms of opponents of proposed federal legislation that would allow states to collect taxes from internet and catalogue sales. Opponents of the legislation said it would impose too much of a burden on firms to attempt to collect and remit taxes to states because of the varying definitions of the tax base and different state and local rates. One purpose of the compact was to standardize definitions and demonstrate that firms could collect and remit taxes in a straight-forward manner.

I also misspoke when asked if we had built any federal stimulus into the forecast. I said that we had not. In the national forecast portion of the model we did, however, assume that the federal government would increase spending \$100 billion and reduce taxes \$100 billion in 2009 and in 2010. This would impact state disposable income and state revenues. The correct answer to the question was that we assumed some federal stimulus and would build the impact of the actual stimulus as signed into law into the May forecast.

I apologize for these errors and any inconvenience they may have caused.